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UNCLAS SECTION 01 OF 04 GRENADA 000151

SIPDIS

STATE FOR WHA/CAR (JMITCHELL) (VDEPIRRO) (WSMITH)  
STATE FOR EB/IFD/OIA  
WHA/EPSC (MROONEY) (FCORNEILLE)  
EEB/ESC/IEC/EPC (MMCMANUS)  
INR/RES (RWARNER)  
SANTO DOMINGO FOR FCS AND FAS  
TREASURY FOR ERIN NEPHEW

E.O. 12958: N/A

TAGS: [EINV](#) [EFIN](#) [ETRD](#) [ELAB](#) [KTDB](#) [PGOV](#) [GJ](#)

SUBJECT: GRENADA: INVESTMENT CLIMATE STATEMENT 2009

REF: SECSTATE 123907

11. Embassy Grenada response to reftel request for the investment climate statement.

12. Begin text:

The Government of Grenada (GOG) seeks to attract foreign direct investment and, with limited exceptions, encourages investors to enter in and operate enterprises in all fields of lawful economic activity. There is no minimum entry requirement and no restriction on foreign ownership, repatriation of capital, dividends, interest or other distributions and gains. Foreign and local investors are given equal treatment. The main sources of information and data: Grenada Industrial Development Corporation and Ministry for Foreign Affairs.

A.1. Openness to Foreign Investment: The GOG encourages the establishment and development of new businesses and offers a wide range of incentives to potential investors. All of these incentives and concessions are designed to make investments more profitable. Concessions are available under the Investment Act, Income Tax Act and Common External Tariff (SRO 37/99). The judicial system upholds the sanctity of contracts. There is no economic or industrial strategy that has discriminatory effects on foreign investors. There are no limits on foreign ownership or control. Screening of foreign investors is mandatory. However, because of the lengthy and cumbersome process, investors are required to sign a 'shareholders declaration form' to vouch for their bona fides. The process of investing begins while screening is conducted. Screening is done to protect domestic interests. Grenada has a generally liberal investment regime. Investors may not invest in or operate Investment Enterprises which are prejudicial to national security or detrimental to the natural environment, public health or the national culture or which contravene the Laws of Grenada. There are no sectors in which foreign investors are not treated the same as a national investors.

A.2. Conversion and Transfer Policies: The Reciprocal Encouragement and Protection of Investment Agreement with the United States protects U.S. investors against performance requirements, restrictions on transfers, and arbitrary expropriation and sets forth procedures for the settlement of disputes. By providing a more open and secure environment for investment, it also promotes private sector development. There have been no recent changes in the Agreement. There is no difficulty in obtaining foreign exchange.

A.3. Expropriation and Compensation: Under the Constitution, the Government shall not compulsorily acquire or take possession of any investment enterprise, or any asset of an Investor except for a purpose which (a) is in accordance with the laws of

Grenada; (b) is on a non-discriminatory basis; (c) is in accordance with the procedures provided by law; (d) provides for prompt payment of adequate and effective compensation together with interest from the date of acquisition or taking possession of the investment enterprise or asset to the date of payment at the commercial bank rate on loans to the corporate sector; and (e) provides for the right of access to the Supreme Court by any person claiming such compensation for the determination of any interest in or right over the investment enterprise or asset and the amount of compensation. There have been no expropriation actions in recent times. There are no special sectors which may be more at risk of expropriation than another. There are no laws forcing local ownership.

A.4. Dispute settlement: Grenada is a constitutional monarchy within a Parliamentary System based on the British Model. The executive power is vested on the Prime Minister and his Cabinet, who have responsibility for concluding and signing trade treaties and trade-related agreements with foreign countries.

The Judicial System is based on English Common Law.

There are three local levels of judiciary courts, and the Eastern Caribbean Court of Appeal. Magistrates Court deals with minor civil and criminal cases, the High Courts deal with cases falling under the different Acts of Parliament.

The Privy Council in London is the final Court of Appeal once all appeals have been exhausted at the local and regional levels.

Grenada is a member of the International Centre for Settlement of Disputes.

In the event of disputes between foreign parties within an investment, or between Foreign Investors and Grenadian parties,

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or between Grenadian partners, or between the Investors and the Government in respect of an enterprise, the disputants shall first seek to settle their differences through consultation or mediation to reach an amicable settlement. In the event that the disputants fail to resolve the matter, they may then: (a) submit their dispute to arbitration under the Arbitration Act No 2 of 1989; (b) invoke the jurisdiction of the courts of Grenada; or c. the Caribbean Court of Justice; (d) adopt such other procedures as provided for in the Articles of Association of the investment enterprise. There is generally no government interference in the court system although there occasionally such government interference has been alleged, though never proven. A more common problem in Grenada's judicial system is lengthy and/or incomplete trials. They are dragged out by the non-appearance of required witnesses or attorneys resulting in multiple continuances. It is exceedingly rare that a judge holds anyone in contempt for ignoring summonses and many trials are eventually dropped because of the no-shows.

A.5. Performance Requirements/Incentives: The legislation of Grenada provides a package of benefits and concessions for specific activities. Incentives available include tax holidays, import duty exemptions, repatriation of profits and withholding tax exemptions. Incentives that are trade-related are notified under Article 25 and Article 27 of the Agreement on Subsidies and Countervailing Measures. The Government encourages the establishment and development of new businesses and offers a wide range of incentives to potential investors. All of these incentives and concessions are designed to make investments more profitable. Concessions are available under the Investment Act, Income Tax Act, and Common External Tariff (SRO 37/99). Incentives: Accelerated depreciation - 50% on plant & machinery; 10% on building; Investment allowance - 100% write off on total investment; carry forward of losses for 5 years; 100% relief from customs duties and taxes on plant, equipment & raw materials; deductible expenditure incurred for marketing, training, research and development. Other Incentives include: no restrictions on foreign ownership; no restrictions on foreign currency transactions; no restrictions on the repatriation of profits, capital, and dividends; double taxation relief. There

are no performance requirements linked to investments. The Reciprocal Encouragement and Protection of Investment agreement with the United States protects U.S. investors against performance requirements. An investment enterprise may be wholly owned by either foreign or domestic investors. There is no requirement that a domestic investor shall own any shares in any investment enterprise.

A.6. Right to Private Ownership and Establishment: Investors may purchase or lease privately owned land and dispose of or transfer their interests in the land under the Alien Land Holding Licence Act, and the Property Transfer Tax Act, No 37 of 1998. Investors may hold State lands by grant or lease from the State.

A.7. Protection of Property Rights: The Constitution and Investment Code Incentives Act protect personal property including investments and the property of investors. The intellectual property rights of investors and investment enterprises, such as, but not limited to, patents, trademarks, brand names, and copyrighted materials in printed, recorded, or electronic format are guaranteed by the Patents and Act (Cap 227 of the consolidated laws of Grenada) or the Trademarks Act (Cap 284 of the consolidated laws of Grenada), or the Copyright Act Cap No 32 of 1988 (Cap 67 of the consolidated laws of Grenada). Grenada is a member of the World Intellectual Property Organization (WIPO), the Paris Convention, the Berne Convention and the Patent Cooperation Treaty.

Domestic legislation regarding intellectual property protection has not yet been amended to bring it in line with the TRIPS Agreement.

Administration of intellectual property laws in Grenada is under the responsibility of the Ministry of Legal Affairs.

The registration of patents, trade marks and copyright is done at the Registry of the Supreme Court.

Grenada's system for registering patents is governed by the Registration of the United Kingdom Patents Act, Cap. 283. In accordance with the legislation, based on Section 91 of the U.K.'s Patents and Design Act of 1907, any patent holder in the

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United Kingdom may apply within three years from the date of issue of the patent to have it registered in Grenada.

Grenada operates a re-registration system based on registration in the United Kingdom.

Under the Registration of the United Kingdom Trade Marks Act, Cap 284, any person being registered as the proprietor of a trade mark in the United Kingdom may apply at any time during the existence of the registration to have it registered in Grenada.

A.8. Transparency of the Regulatory System: The Government of Grenada recognizes that for investors, transparent information on rules and regulations dealing with investment, how they are formulated and implemented are critical. The Government therefore promotes investments by consulting with interested parties; simplifying and codifying legislation; using plain language drafting; developing registers of existing and proposed regulation; expanding the use of electronic dissemination of regulatory material; and by publishing and reviewing administrative decisions. Tax, labor, environment, health and safety, and other laws and policies do not distort nor impede investment, though the laws are not always applied in a consistent manner. In theory, bureaucratic procedures, including those for licenses and permits are sufficiently streamlined and transparent. In practice, local authorities recognize that the implementation of procedures is inconsistent and greater emphasis on service with training to increase the work force's capabilities is needed. There are no informal regulatory processes managed by non-governmental organizations

or private sector associations.

A.9. Efficient Capital Markets and Portfolio Investment: There are policies to facilitate free flow of financial resources. Foreign personnel of Investment enterprises and their families may also repatriate their earnings, after paying of Grenadian personal income tax and all other taxes due. GOG policy is that foreign investors are not permitted to borrow domestically in Grenada from financial institutions chartered in Grenada, or to access low-interest rate loans or government grants.

A.10. Political Violence: Grenada is a politically stable country with little or no political violence. Political infighting can negatively impact investment immediately preceding or following a change in government. On the whole, investors in Grenada can benefit from a stable economy; developed infrastructure, relatively low crime rate, and generally good quality of life. Several sectors, including agriculture, health, and tourism remain underdeveloped.

A.11. Corruption: In March 2007, Parliament passed the country's first anticorruption bill. According to the World Bank's worldwide governance indicators, government corruption was a problem. A new anticorruption law requires all public servants to report their income and assets for review by an Integrity Commission the law requires to be set up. The Commission has yet to be organized as internal disputes within the Government over its makeup continue.

A.12. Bilateral Investment Agreements: Bilateral Investment Agreements established between Grenada and the following countries are designed to encourage and protect international investments and to ensure that investors receive fair, equitable, and nondiscriminatory treatment. Reciprocal Encouragement and Protection of Investment with the United States - The agreement protects U.S. investors against performance requirements, restrictions on transfers, and arbitrary expropriation and sets forth procedures for the settlement of disputes. By providing a more open and secure environment for investment, it also promotes private sector development. Investment Protection and Promotion Agreement with the United Kingdom - The agreement encourages British investor confidence by setting high standards of investor protection applicable in international law. Key elements include provisions for equal and non-discriminatory treatment of investors and their investments, compensation for expropriation, transfer of capital and returns and access to independent settlement of disputes.

A.13. OPIC and other investment insurance programs: Grenada's accession to the Overseas Private Investment Corporation (OPIC) entered into force on June 27, 1968. Grenada is a member of the Multilateral Investment Guarantee Agency (MIGA).

A.14. Labor: Grenada has signed and ratified all of the International Labor Organization's undertakings and has

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enshrined these rights in its labor laws, including the Labour Relations Act No.1 of 1999 and the Employment Act No. 1 of 1999.

Grenadian law upholds the right of workers to be represented by a trade union of their choice. There are no restrictions on the activities of trade unions as long as they operate within the parameters set out by the local law. The majority of the workforce is unionized and the labor relations atmosphere on the island is generally stable. The recent sharp increase in prices of food and other basic items as a result of higher oil prices coupled with the global economic downturn will impact expected 2009 wage and salary negotiations, increasing the potential for strikes. In accordance with the Trade Union Recognition Act No 29 of 1979 (Cap 325 of the consolidated laws of Grenada), investors shall grant union representation at any site of employment if the majority of their employees indicate the desire for union representation and investment enterprises shall contribute to the social insurance and welfare programs for their workers in accordance with the National Insurance Act.

A.15. Foreign Trade Zones/Free Ports: There are no Free Zones.

A.16. Foreign Direct Investment Statistics

FDI Inflows, 2001-2006 (US \$mil dollars)

2001	2002	2003	2004	2005	2006
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Inflows: 52.59 55.83 59.00 60.50 79.2 97.0

Source: Grenada's Central Statistics Office

FDI Inflows by Country of Origin 2001-2006 (US \$mil dollars)

Source: Grenada Industrial Development Corporation

		2001	2002	2003	2004	2005
United States	0.55	4.0	3.5	12.1	1.6	2.3
Europe (including the UK)	1.64		11.9	6.3	24.9	64.4
Caribbean	11.2	6.80	6.6	3.8	13.1	1.6
China (PRC)				0.22		0.15
Other	0.27					
Total	13.7	10.8	22.1	22.4	39.6	68.4

FDI Inflows by Sector 2001-2006 (US\$ mil dollars)

Source: Grenada Industrial Development Corporation

SECTOR	2001	2002	2003	2004	2005	2006	
Tourism		8.6	10.8	14.0	22.1	38.2	66.1
Manufacturing	5.0	-	0.1	-	1.2	0.2	
Services		0.1	-	8.0	0.2	0.2	2.1
TOTAL	13.7	10.8	22.1	22.4	39.6	68.4	

End text.

MCISAAC